

(E) Fringe Benefits.

1. Retirement plans.

A. Contributions to retirement plans for the benefit of employees excluding stockholders, partners and proprietors of the provider shall be allowable cost areas provided these plans meet the qualifications established in the Internal Revenue Code of 1985, as amended in the requirements for Title XVIII. Interest income from funded pension or retirement plans shall be excluded from consideration in determining the allowable costs area.

B. Amounts funded to pension and retirement plans, together with associated income, shall be recaptured if not actually paid when due, as an offset to expenses on the cost report form.

2. Deferred compensation plans.

A. Contributions for the benefit of employees, excluding stockholders, partners and proprietors, under deferred compensation plans shall be all allowable cost areas when, and to the extent that, these costs are actually paid by the provider. Deferred compensation plans must be funded. Provider payments under unfunded deferred compensation plans will be considered as an allowable cost area only when paid to the participating employee and only to the extent considered reasonable.

B. Amounts paid by tax-exempt organizations to purchase tax-sheltered annuities for employees shall be treated as deferred compensation actually paid by the provider.

C. Amounts funded to deferred compensation plans together with associated income shall be recaptured, if not actually paid when due, as an offset to expenses on the cost report form.

(F) Education and Training Expenses.

1. The cost of on-the-job training which directly benefits the quality of health care or administration at the facility shall be allowable. Off-the-job training involving extended periods exceeding five (5) continuous days is an allowable cost item only when specifically authorized in advance in writing by the Division.

2. Costs of education and training shall include travel costs incidental thereto but will not include leaves of absence or sabbaticals.

(G) Advertising Costs. Advertising costs which are reasonable and appropriate.

(H) Cost of Supplies Involving Related Parties. Costs of goods and services furnished by related parties shall not exceed the lower of the cost to the supplier or the prices of comparable goods or services obtained elsewhere. In the uniform cost report a provider shall identify related party suppliers and the type, quantity and costs of goods and services obtained from each such supplier.

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(I) Utilization Review. Costs incurred for the performance of required utilization review.

(J) Nursing Facility Reimbursement Allowance (NFRA). Effective for payment dates after November 15, 1996, the fee assessed to nursing facilities in the State of Missouri for the privilege of doing business in the state will be an allowable cost.

(8) Nonallowable Costs. Cost not reasonably related to pediatric nursing care facility services shall not be included in a provider's costs. In accordance with this section, contractual allowances, courtesy discounts, charity allowances and similar adjustments or allowances are offsets to revenue and are not included in allowable costs. Nonallowable cost areas include, but are not limited to, the following:

(A) Amortization on intangible assets;

(B) Attorney fees related to litigation;

(C) Bad debts;

(D) Capital cost increases due solely to changes in ownership, management, control, operation or leasehold interest;

(E) Central office or pooled costs not reasonably attributed to the efficient and economical operation of the facility;

(F) Charitable contributions;

(G) Compensation paid to a relative or an owner through a related party to the extent it exceeds the limitations established under subsection (7)(A) of this regulation;

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(H) Cost arising from joint use of resources (including central office and pooled cost) not directly related to patient care;

(I) Cost not directly related to the provision of patient care;

(J) Cost of ancillary services covered by Medicare Part B;

(K) Cost (such as legal fees, accounting and administration costs, travel costs, and the costs of feasibility studies) which is attributable to the negotiation or settlement of the sale or purchase of any capital asset by acquisition of merger for which any payment has been previously made under the program;

(L) Directors' fees from any source;

(M) Federal, state or local income and excess profit taxes, including any interest and penalties paid thereon;

(N) Finder's fees;

(O) Franchise taxes;

(P) Fund-raising expenses;

(Q) Interest expense on intangible assets;

(R) Life insurance premiums for officers and owners and related parties except the amount relating to a bona fide nondiscriminatory employee benefits plan;

(S) Non-covered supplies, services and items as defined in section (6);

(T) Owners' compensation in excess of the high range of the most recent survey of administrative salaries paid to individuals other than owners for proprietary and non proprietary providers as published in the updated Medicare Provider Reimbursement Manual PRM Part 1, Section 905.2;

(U) Prescription drugs;

(V) Religious items or supplies or services of a primarily religious nature performed by priests, rabbis, ministers or other similar types of professionals. Cost associated with portions of the physical plant used primarily for religious functions are also non allowable;

(W) Research costs;

(X) Resident personal purchases;

(Y) Return on equity;

(Z) Salaries, wages or fees paid to nonworking officers, employees or consultants;

(AA) Self-employment taxes;

(BB) Stockholder relations or stock proxy expenses;

(CC) Taxes or assessments for which exemptions are available;

(DD) Value of services (imputed or actual) rendered by nonpaid workers or volunteers; and

(EE) Vending machine and related supplies.

(9) Revenue Offsets

(A) Other revenues must be identified separately in the cost report if included in gross revenues. Such revenues include, but are not limited to the following:

1. Income from telephone services;
2. Sale of employee and guest meals;
3. Sale of medical abstracts;
4. Sale of scrap and waste food or materials;
5. Rental income;
6. Cash, trade, quantity, time and other discounts;
7. Purchase rebates and refunds;
8. Recovery on insured loss;

9. Parking lot revenues;
10. Vending machine commissions or profits;
11. Sales from drugs to individuals other than Medicaid recipients;
12. Interest income to the extent of interest expense;
13. Any income from investments;
14. Room reservation charges in excess of covered therapeutic home leave days;
15. Private room differential; and
16. Reimbursement for Nurse-Aid Training which is not provided as part of the per-diem rate.

(B) Interest income received from a funded depreciation account will not be deducted from allowable operating costs if such interest is applied to the asset being depreciated.

(C) Restricted funds designated by the donor prior to the donation for payment of operating costs will be offset from the associated cost.

(D) Restricted funds designated by the donor for future capital expenditures will not be offset from allowable expenses at any time.

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(E) Unrestricted funds not designated by the provider for future capital expenditures will be offset from allowable cost.

(F) Unrestricted funds received from endowments will not be offset from allowable cost.

(G) As applicable, restricted and unrestricted funds will be offset in each cost category, except capital, in an amount equal to each category's proportionate share of allowable expense. The applicable categories are patient care costs and general and administrative costs as defined in section (11).

(H) Any tax levies which are collected by nursing home districts or county homes that are supported in whole or in part by these levies will not be recognized as a revenue offset except to the extent that the funds are used for the actual operation of the facility.

(10) Provider Reporting and Record Keeping Requirements.

(A) Annual Cost Report.

1. Each provider shall adopt the same twelve (12) month fiscal period for completing its cost report as is used for federal income tax reporting.

2. Each provider is required to complete and submit to the Division of Medical Services an annual cost report, Financial and Statistical Report for Nursing Facilities, including all worksheets, attachments, schedules and requests for additional information from the Division. The cost report shall be submitted on forms provided by the Division for that purpose.

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3. All cost reports shall be completed in accordance with the requirements of this rule and the cost report instructions. Financial reporting shall adhere to GAAP except as otherwise specifically indicated in this rule.

4. The cost report submitted must be based on the accrual basis of accounting. Governmental institutions operating on a cash or modified cash basis of accounting may continue to report on that basis, provided appropriate treatment under GAAP of capital expenditures is made.

5. Cost reports shall be submitted by the first day of the fourth month following the close of the fiscal period.

6. If a cost report is more than ten (10) days past due, payment will be withheld from the facility until the cost report is submitted. Upon receipt of a cost report prepared in accordance with this rule, the payments that were withheld will be released to the provider. For cost reports which are more than ninety (90) days past due, the Department may terminate the provider's Medicaid participation and retain all payments which have been withheld pursuant to this provision.

7. Authenticated copies of agreements and other significant documents related to the provider's operation and provision of care to Medicaid recipients must be attached to the cost report at the time of filing unless current and accurate copies have already been filed with the Division. Material which must be submitted includes, but is not limited to, the following;

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A. Audit, review or compilation statement prepared by an independent accountant, including disclosure statements and management letter or SEC Form 10-K;

B. Contracts or agreements involving the purchase of facilities or equipment during the last seven (7) years;

C. Contracts or agreements with owners or related parties;

D. Contracts with consultants;

E. Documentation of expenditures, by line item, made under all restricted and unrestricted grants;

F. Federal and state income tax returns for the fiscal year, within ten (10) days of filing the returns;

G. Leases and/or rental agreements related to the activities of the provider;

H. Management contracts;

I. Medicare cost report;

J. Statement verifying the restrictions as specified by the donor, prior to donation, for all restricted grants;